



Financial Inclusion with Innovations

**Topic 9 AFIN8014
FinTech and Innovation**

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4. Explore different innovative models for financial inclusion at different countries
2. Discuss a global vision for financial access initiated by The World Bank Group
1. Understand financial inclusion and its social impact
3. Explore how mobile money works as a FinTech innovation to solve the problem of financial inclusion

Learning Objectives

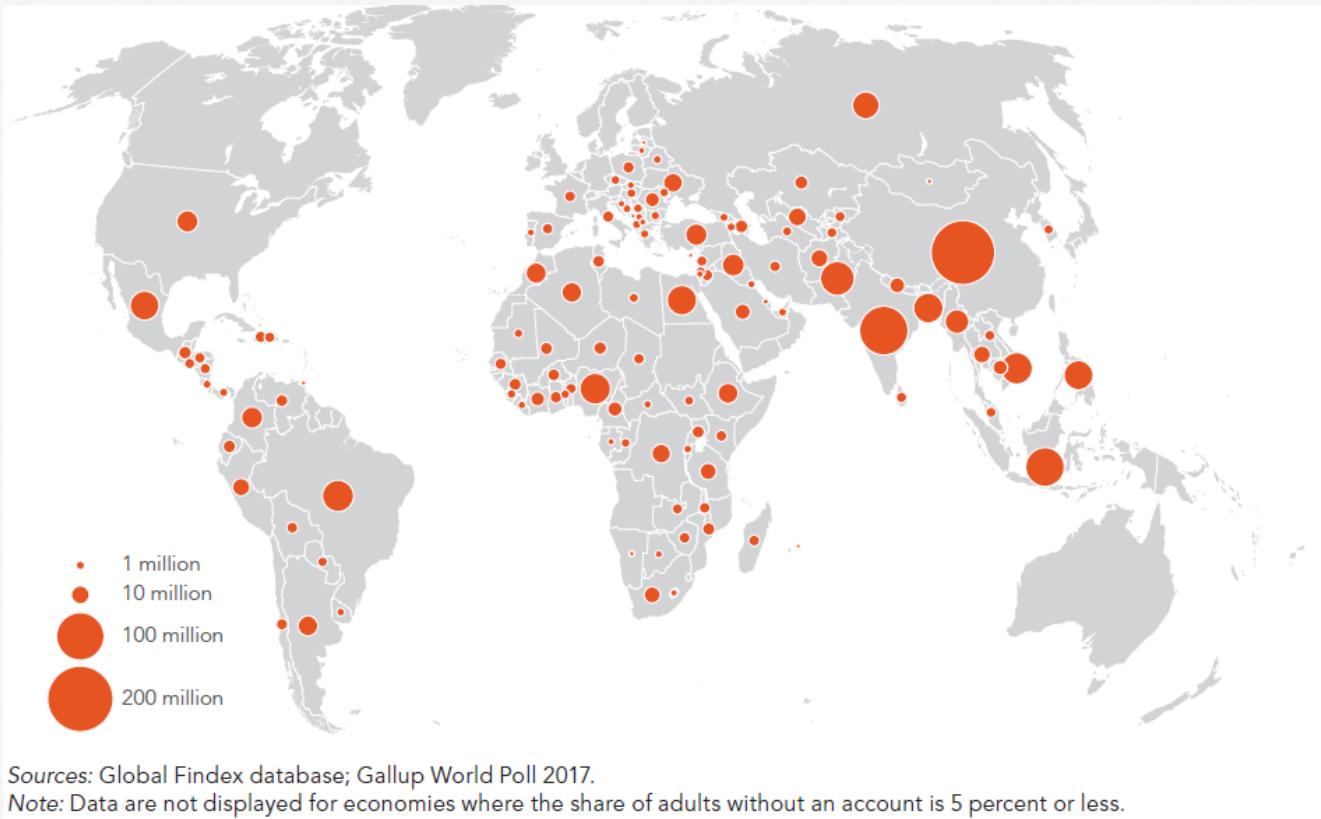
Financial Inclusion & Exclusion

Financial inclusion:

Households and businesses have access to and can effectively use appropriate financial services. Such services must be provided responsibly and sustainably, in a well-regulated environment.

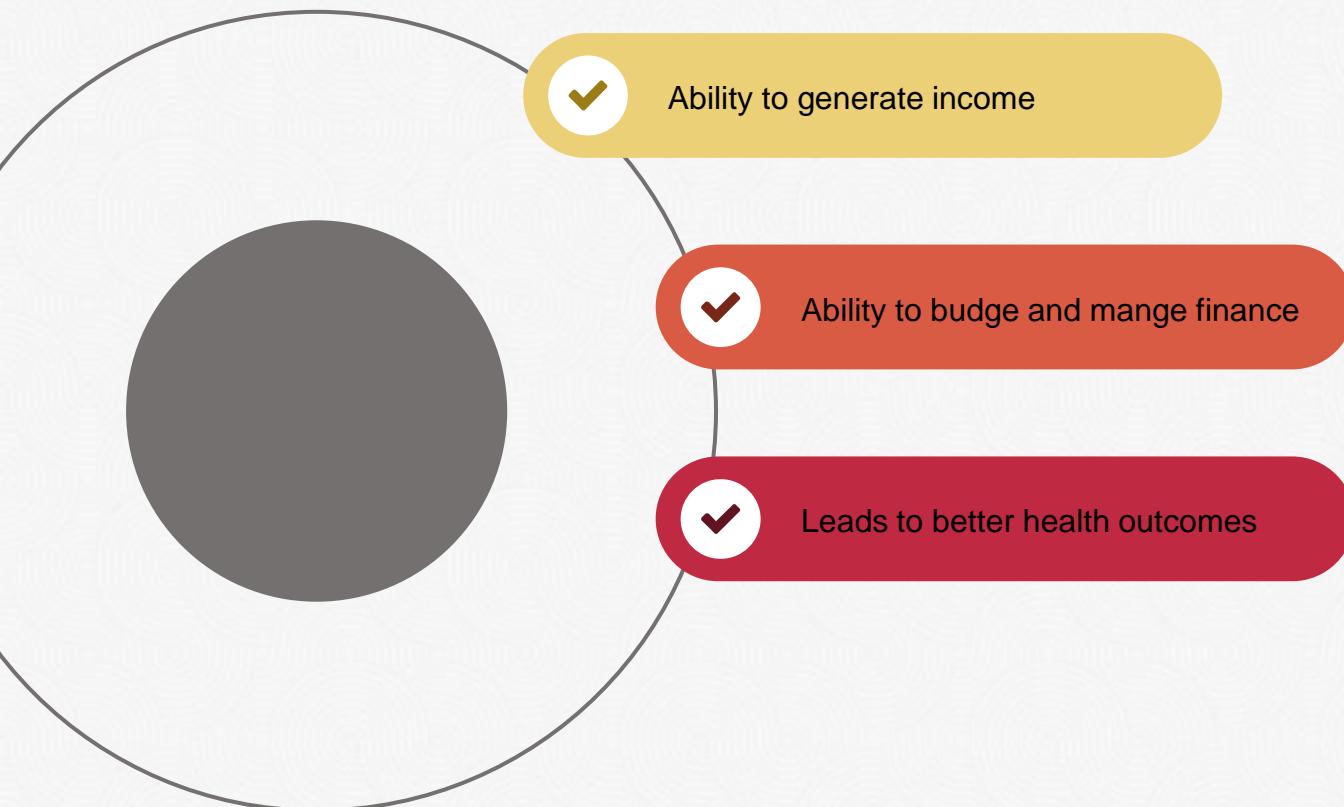
Financial exclusion:

The lack of access to mainstream financial products that are affordable and appropriate to a person's needs and enables them to participate fully in the society in which they belong to.



Source: Global Index Database, 2017

Financial Inclusion & Exclusion



Financial Exclusion:

- A part of the broader issue of social inclusion.
- Social exclusion may be reinforced when facing difficulties in accessing mainstream financial services.
- Financial and social exclusion are highly correlated, and one can exacerbate the other.
(EU, 2008)
- The financial well-being of individuals has a direct impact on a country's economy

Financial Inclusion & Exclusion

2011 Financial Exclusion

2011

- 2.5/7 billion adults were ‘unbanked’
- Over 200 million micro to medium enterprises in developing economies lacked access to affordable financial services and credit.

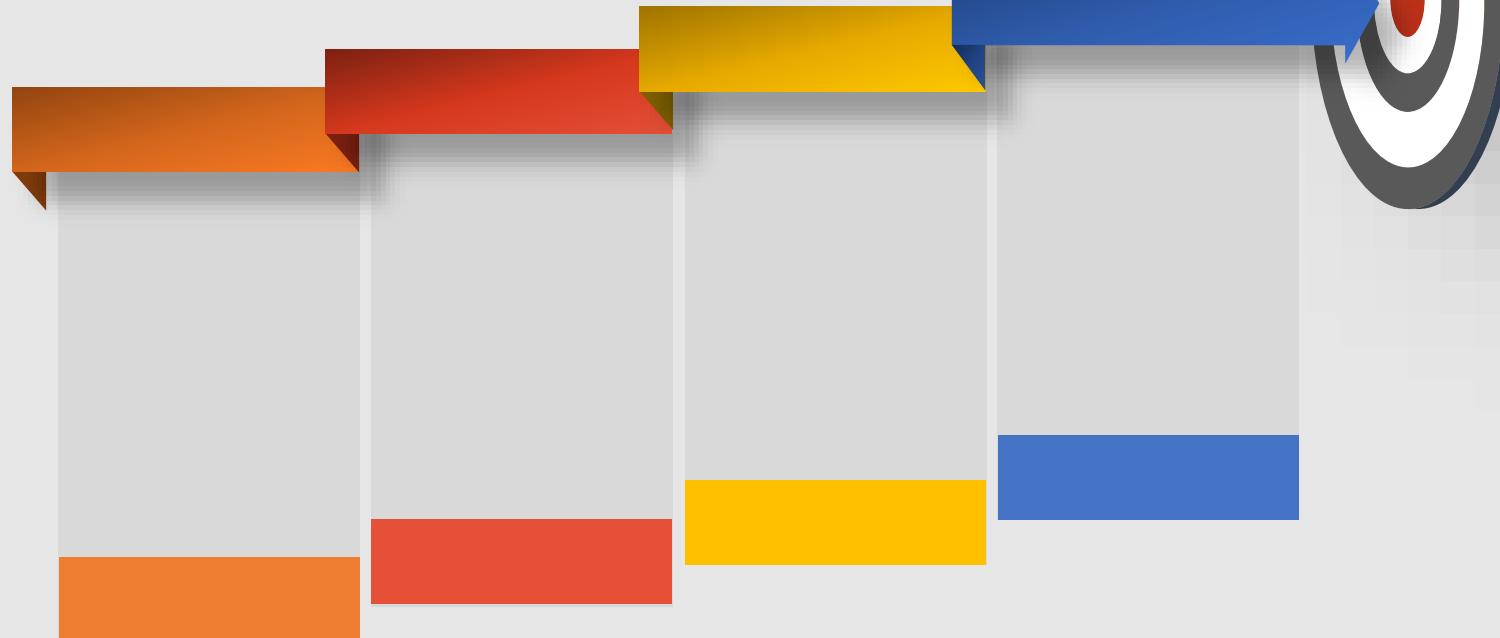


Source: Global Index Data, 2017

Financial Inclusion

2013

The World Bank Group: launched [Universal Financial Access by 2020](#) (UFA2020) to enable adults worldwide to gain access to a transaction account



UFA2020

Enable 1 billion people to gain access to an account

Financial Inclusion: Gateway



Financial Inclusion & Exclusion

2017 Financial Exclusion

2017

- 1.7/7.53 billion adults were 'unbanked'

2013-2017

737 million new accountholders



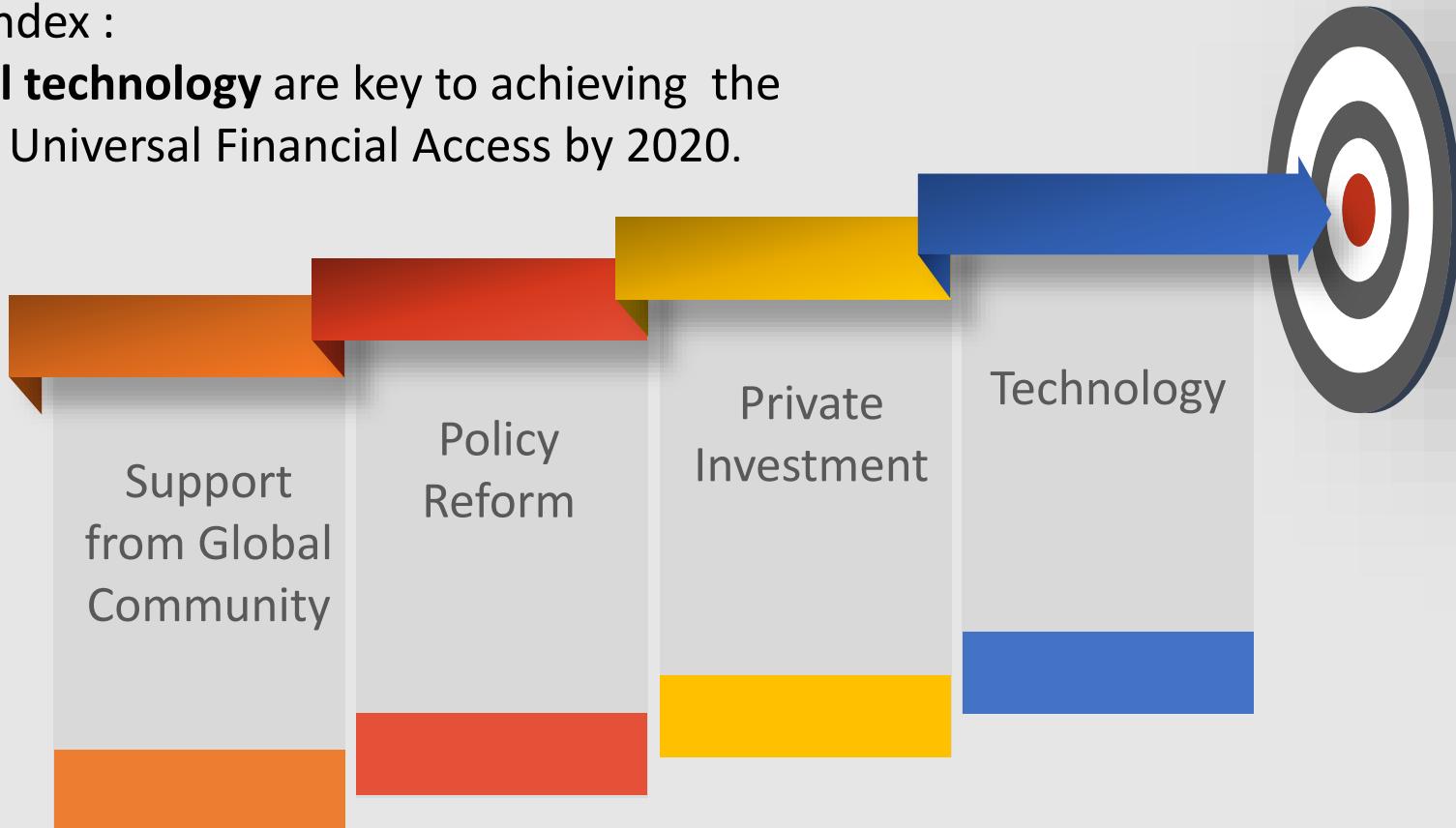
Source: Global Index Data, 2017

Financial Inclusion

UFA2020

The 2017 Global Findex :

Advances in digital technology are key to achieving the World Bank goal of Universal Financial Access by 2020.





Mobile Money

Source: <https://www.forbes.com/sites/tobyshapshak/2018/11/27/how-mobile-money-continues-to-boom-in-africa/#534ba7fd205c>

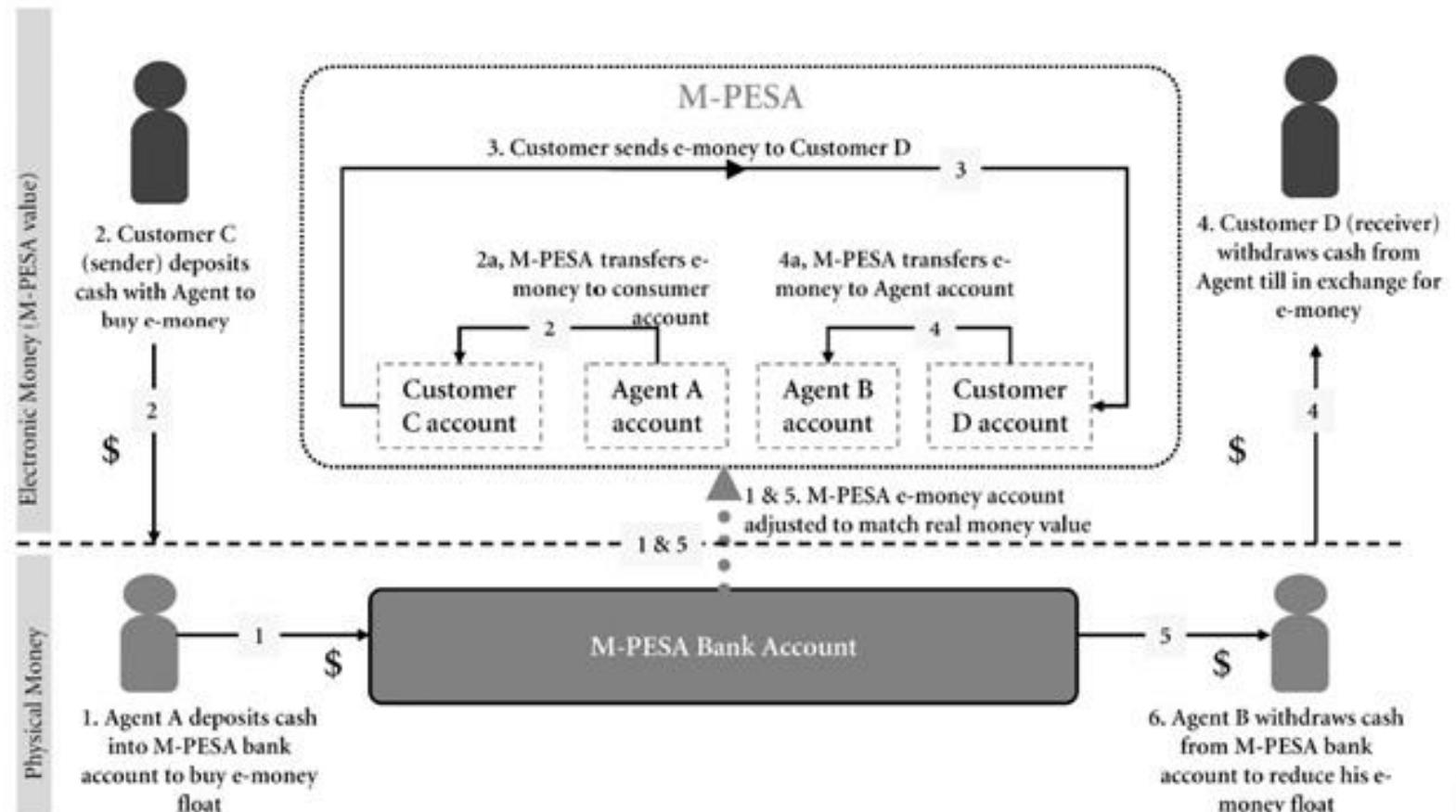
M-Pesa, Kenya

- M-Pesa (M for mobile and pesa is Swahili for money)
- Launched in 2007 by Vodafone for Safaricom, the largest mobile network operator in Kenya
- Person-to-person transfers:
 - Allows money to be stored on a mobile phone and sent to other users **via text messages.**
- In the past: transfers used to be done by **carrying CASH** (a weak banking infrastructure in Kenya)



M-Pesa, Kenya

M-Pesa: combine SMS technology with Another Business Model (traced back Hawala System).



A Quiz:

Who holds and manages funds for M-PESA Bank Account?

The Kenyan government oversees the trust to make sure that Safaricom can't use the funds. It also ensures that Kenyans won't lose their money if Safaricom ever goes out of business.



WRONG

Safaricom keeps them in corporate headquarters

A

WRONG

They are distributed across several commercial banks and managed by a trust.

B

WRONG

The individual M-PESA merchants hold on to the funds

C

CORRECT

Kenya's government holds them in a vault

D

M-Pesa, Kenya

By 2017

- Used by at least one individual in 96% of 5 million Kenyan households
- 2700 ATM v 110,000 M-Pesa agents who provide deposit and withdrawal services
- 1.7 billion transactions were processed over M-PESA between July 2016 and July 2017.
- 48.76% of Kenya's GDP were processed over M-PESA. (3.6 trillion Kenyan shillings or 29 billion euros.)
- Using cell phones as mobile banks is reducing Kenya's poverty
 - M-PESA increased per capita consumption levels and lifted 194,000 households, or 2% of Kenyan households, out of poverty. (Suri and Jack, 2016)

More innovations based on M-Pesa network

- M-Shwari
 - a bank account offering savings and credit services accessed through the M-PESA platform
- Lipa na M-PESA
 - a retail payment facility

M-Pesa, Kenya



Kenya's M-Pesa proves that when people are empowered, they will use digital tech to innovate on their own behalf.

— *Bill Gates* —

AZ QUOTES

Mobile Money

- Definition:
- A suite of financial services offered through mobile phones and other handheld mobile devices. These services can include
 - 1) person-to-person transfer of funds (domestic and international remittances),
 - 2) person-to-business payments for the purchase of a range of goods and services
 - 3) mobile banking, through which customers can access their bank accounts, pay bills, or deposit and withdraw funds.

MOBILE MONEY IN 2019

Over 1bn
REGISTERED MOBILE MONEY ACCOUNTS

OVER \$1.9bn processed daily ← by the mobile money industry

77 Mobile money deployments have more than 1m 90-day active accounts

Compared to 27 in 2014

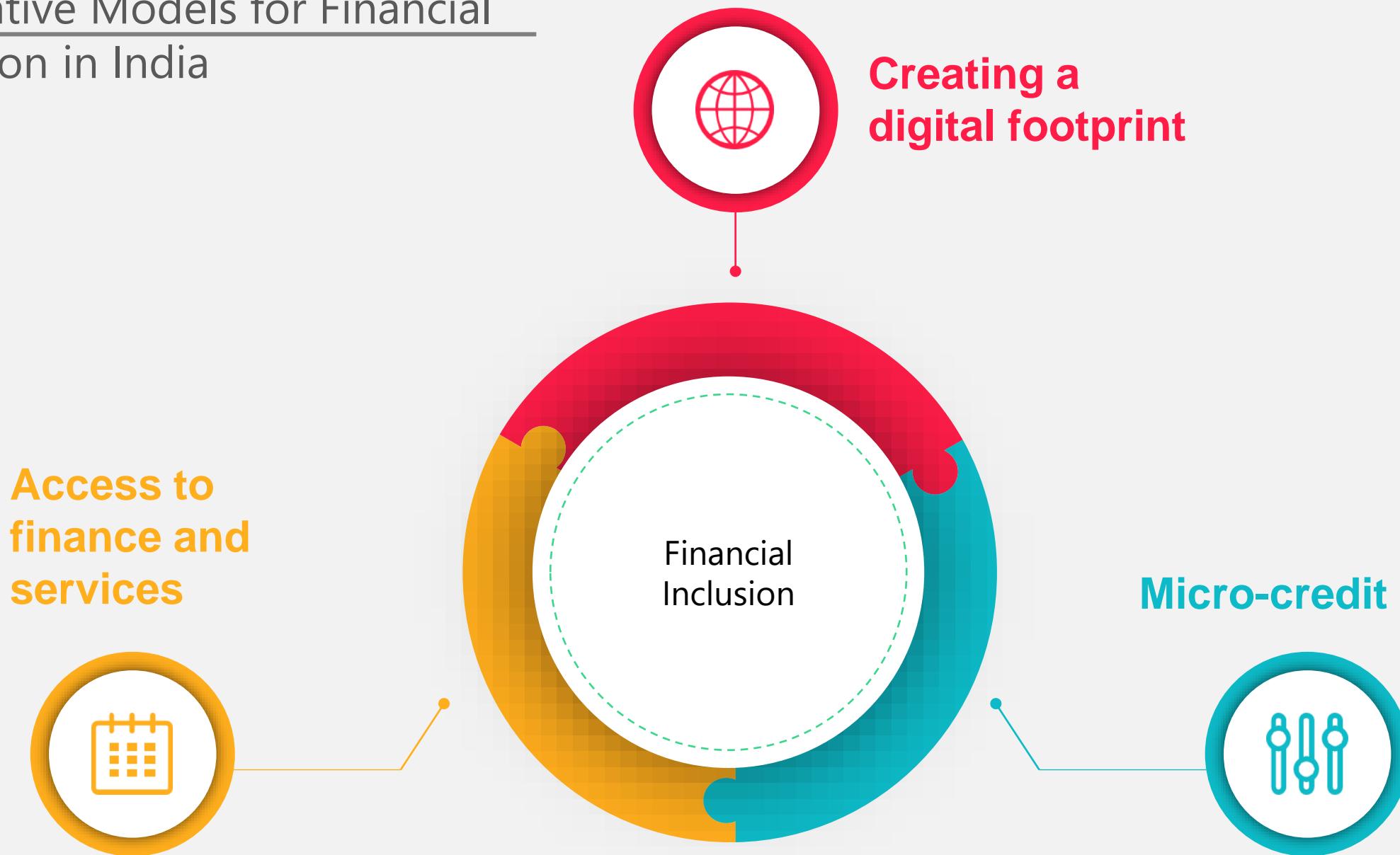
INDUSTRY FIRST
\$ 57% DIGITAL
Digital transaction values now exceeding cash-in/out values

INDUSTRY FIRST
\$22bn IN CIRCULATION
More money is circulating than exiting the mobile money system

290 MOBILE MONEY DEPLOYMENTS ARE LIVE IN 95 COUNTRIES

SUB-SAHARAN AFRICA
50m NEW REGISTERED ACCOUNTS

Innovative Models for Financial Inclusion in India





BanQu Platform

A digital economic identity based on blockchain

1

Marginalized communities' challenges: demonstrating credit-worthiness, employment-worthiness and personal identity

2

BQ solution

A personal digital identification profile connecting to family, friends, small businesses and associated NGOs

3

Provide a baseline to gain access to financial services.

4

Pilots

Create digital economic identity for refugees in East Africa, Jordan and Lebanon



Grameen Bank

Microcredit for poor

1

A means for poverty to get financed

2

2004: create an unprecedented solution to make the beggar population eligible for microcredit.

3

2006: foreign investment from Citigroup Foundation USD 2.5 millions

4

How to keep this model with emerging technologies?



SEWA

Self Employed Women's Association

SEWA

Women seek employment
in exchange of share
capital

1

'Fully employment means employment whereby workers obtain work security, income security, food security and social security'.

2

Help women to gain access to insurance, pension, healthcare, own savings and own assets.

3

Executes by organizing members under unions and cooperative

4

How to replicate this model with emerging technologies?

Australia: Financial Exclusion



Australia
Italy
Portugal
Ireland

- Approximately one in every six Australians (16.9%) are severely or fully financially excluded
- Cost is the biggest barrier to financial services in Australia:
 - In 2013, the average annual cost of basic financial services was \$1,801
 - 10-15% of a person's annual income
 - (Measuring Financial Exclusion in Australia (2014))

France
Sweden

Germany
Austria

UK

2%

3%

16-17%

6%